



Director of
Central
Intelligence

Approved For Release 2004/09/15 : CIA-RDP79T00975A031200160001-7

Top Secret

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National Intelligence Daily (Cable)

19 March 1979

**State Dept. review completed. On file Interior Dept.
release instructions apply.**

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SITUATION REPORT

CHINA-VIETNAM

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Vietnam has proposed that negotiations begin on Friday in either Hanoi or the border town of Lang Son but has left the door open for the Chinese to propose an alternate site. [REDACTED]

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China has not yet responded to the Vietnamese proposal, but Vice Premier Deng Xiaoping said on Saturday, before the proposal was made, that talks could begin within a week. [REDACTED]

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[REDACTED] A New China News Agency commentary yesterday called on Vietnam to withdraw from Kampuchea "immediately and unconditionally." Vietnam, in a *Nhan Dan* editorial yesterday, rejected the proposal of the Association of Southeast Asian Nations linking a Chinese withdrawal from Vietnam to a Vietnamese withdrawal from Kampuchea. [REDACTED]

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BRIEFS AND COMMENTS

AFGHANISTAN: Antigovernment Actions

25X1 *Antigovernment activity continued in several areas over the weekend. There is no evidence, however, that the activity is coordinated or that the government is in any immediate danger.* [REDACTED]

25X1 The situation in Herat remains confused because of a cutoff of communications with the capital. //Late on Saturday mobs were moving about the streets and fires were burning in many parts of the city [REDACTED] [REDACTED] There is no confirmation of press reports that the garrison has fallen and, as of yesterday, the US Embassy in Kabul had no reliable information on the situation in Herat. [REDACTED]

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[REDACTED]

//There is also evidence of trouble near the important northern city of Mazar-i-Sharif. The government is sending a team of politically reliable officers there to assist the Army division commander in reorganizing and reforming his command following desertions and heavy casualties during recent operations.// [REDACTED]

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PORTUGAL: Threat to Government

25X1 *The resignation late last week of Portugal's State Secretary for Agrarian Reform could precipitate a cabinet shakeup and eventual collapse of the government if Agriculture Minister Vaz Portugal--who has strongly backed his deputy--resigns.* [REDACTED]

25X1 The State Secretary's resignation followed a meeting with President Eanes in which Eanes reportedly criticized some of his activities in returning collectivized lands to private owners. Some party leaders could use Eanes' action to support their claims that he no longer supports Prime Minister Mota Pinto's independent government. Mota Pinto came to power four months ago largely on the strength of Eanes' popularity and influence among the parties. On Saturday Eanes sought to dispel rumors of an impending government crisis by publicly reaffirming his support for Mota Pinto and specifically for the Ministry of Agriculture. [REDACTED]

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25X1 Mota Pinto returned yesterday from Brazil to begin parliamentary debate on his controversial austerity budget. Before the State Secretary's resignation, passage of the budget seemed assured, but now the outcome is less certain. [REDACTED]

25X1 Even if he loses the budget vote, Mota Pinto could continue in office. Without a strong endorsement by Eanes and with the majority of parliament against him, however, his eventual resignation or ouster would be almost assured. [REDACTED]

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IRAN: Economic Problems

Despite the resumption of oil production for export and the beginnings of a reawakening in the banking sector, much of the Iranian economy remains moribund. Both Ayatollah Khomeini and Prime Minister Bazargan have in the past few days called upon supporters of the revolution to get back to work in earnest in order to save the nation's "bankrupt" economy, but the return to a pattern of work discipline is not likely while arrests and interrogation of management personnel continue.

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Oil production remains at about 2.5 million barrels per day, with approximately 1.8 million available for export. Apparently the leadership has not decided on an oil production or export policy, and there is concern within the National Iranian Oil Company that radicals can still hinder the government's efforts. The visit by oil company chief Hassan Nazih to a major oilfield site yesterday was described by Tehran's domestic news service as aimed partly at purging undesirable counterrevolutionaries.

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While much of the banking sector remains in disarray as a result of the ouster or detention of the old management, the Central Bank may soon resume some normal operations as several top staff positions are filled. Banks are beginning to cash checks and receive deposits. Revolutionary committees are releasing foreign exchange to honor prerevolutionary transactions but are refusing to approve virtually any new transactions involving foreign exchange.

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Offices and factories continue to be chaotic because of a lack of direction and morale problems caused by continuing purges of managers. Revolutionary groups in many factories reject efforts by managers or owners to determine operating procedures and insist that the workers will select new managers.

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CHAD: Peace Agreement Provisions

The peace agreement reached last week between the Chadian Government and Muslim rebel forces will take effect on Friday with the resignation of President Malloum. A provisional government will be established, although its structure is not yet known. A peacekeeping committee, apparently to be chaired by the Nigerians, will monitor the cease-fire during the transition phase. [REDACTED]

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LAW OF THE SEA: Conference Resumption

The Eighth Session of the Law of the Sea Conference, opening today in Geneva, must make discernable progress to assure continuation of the effort to produce a comprehensive oceans treaty. To do this, the negotiators will have to make some breakthrough on the seabed mining issue that has been the Conference's most elusive goal. It will also have to address controversial issues raised by the USSR and Moscow's unwillingness to accept any obligation to submit bilateral maritime boundary disputes to binding settlement by outside parties.

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After five years of Law of the Sea talks, personnel resources and patience are wearing thin. Some developing countries speak of halting negotiations if a final text is not produced this time. The impatience of the industrialized states is evident in the US and West German decisions--without waiting for an oceans treaty--to support national legislation for the licensing of domestic corporations to engage in seabed mining.

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The present draft treaty reflects general agreement on naval and commercial navigation that preserves traditional rights on the high seas in the face of expanded state maritime claims--12-mile territorial seas, 200-mile economic zones, and archipelagic zones. These articles of the draft treaty are fast becoming a matter of state practice in international law. The draft treaty also reflects agreement on fisheries and on the protection of the marine environment. The text on marine scientific research, however, is not fully satisfactory to the US.

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Seabed Mining

After prolonged negotiations, the Conference has come to accept the broad outline of a system for exploiting manganese nodules (which also contain nickel, copper, and cobalt) found in the ocean depths beyond the limits of coastal state jurisdiction. Under this "parallel" system, both corporations and states would share the right to mine the seabeds with the Enterprise, which would be the mining arm of the proposed International Seabed Authority.

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There still is a wide gap between industrialized and developing countries on the nuts and bolts of the plan: yet to be determined are the extent of production controls, the provisions for transferring technology and know-how from the mining firms to the Enterprise, and the levels of royalties and fees that states and firms should pay the Authority for the right to mine. The developing countries' negotiating caucus--the Group of 77--and the industrialized nations are even further apart on a system to govern the Authority. [REDACTED]

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The question of protecting land-based mineral producers against the competitive effects of future seabed mining will be sharply debated in Geneva. At issue is the production limitation formula agreed to by the US and Canadian delegations on an *ad referendum* basis last May. It would prohibit a future seabed mining industry from supplying more than 65 to 75 percent of the growth in the world nickel market for the first 20 years of seabed activity. The production ceiling on nickel would control the overall tempo of seabed mining because that metal will be the industry's profit leader. The Group of 77 and the USSR back the formula as it stands, but the EC nations and Japan oppose it and the US seeks to modify it. [REDACTED]

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The negotiators must also address the issue of transfer of technology. A corollary of the parallel system is that the Enterprise would have the financing, expertise, and equipment to begin mining soon after corporations and states commence operations. The developing countries seek to force the firms to transfer their technology to the Enterprise as a condition for obtaining approval to mine the seabeds. The industrial democracies realize they must yield something in this area, but they hope to reduce their obligation to an agreement to enter into good faith negotiations leading to the sale of their technology to the Enterprise on business-like terms and conditions. [REDACTED]

The present draft text contains a particularly troublesome feature for the developed states: the "Brazil clause" that would require miners to transfer their technology to developing countries for their use in exploiting the seabeds. The issue of technology

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transfers is closely identified with the developing countries' strategy for a New International Economic Order. [REDACTED]

The mining issue also divides the Group of Five--the maritime powers' caucus. The USSR and France agree with the US, UK, and Japan that all states should have guaranteed access to seabed resources on an equal legal footing with the Enterprise. But the USSR and France oppose unlimited access by private corporations and support a quota concept that would limit the number of minesites available to a state and its nationals. The Soviets are also adamantly opposed to competition between states, or between states and private firms, for seabed mining contracts granted by the Authority. [REDACTED]

Outer Limit of the Continental Margin

The effort to establish the outer limit of coastal state jurisdiction over the oil and gas resources of the continental margin has evolved into a far more controversial issue than expected. The question focuses on those situations where the continental margin (which includes the shelf, slope, and rise) extends beyond the 200-mile economic zone. The formula for demarcating the outer limit of the margin will determine whether coastal states or the International Seabed Authority control the oil and gas reserves at the outer reaches of the margin. [REDACTED]

Three proposals are now before the Conference. The "broad-margin" states, including the US, Canada, and the UK, have proposed a liberal formula for demarcating the margin. The Arab states would cut off the margin at 200 miles, making it coincide with the economic zone. The USSR has proposed a formula that would result in something between the other two. [REDACTED]

Maritime Boundary Disputes

The USSR has a serious problem with the current text on dispute settlement procedures. The draft treaty calls for binding procedures when neighboring states are unable to agree on the location of their economic zone or continental shelf boundaries. The Soviets insist that bilateral disputes over maritime boundaries be automatically excluded from all compulsory and binding procedures. [REDACTED] --continued

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If Moscow can pull this off, the USSR would be free to continue pressing Norway and Sweden to make concessions on the location of the continental shelf boundaries in the Barents and Baltic Seas. A senior Soviet delegate at the Conference indicated late last year that the USSR would not give way on the continental margin issue unless the dispute settlement question was resolved to its satisfaction. [redacted]

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Fisheries

The only major unresolved issue here is whether landlocked and otherwise geographically disadvantaged states should have access to fish stocks in the 200-mile economic zones of neighboring coastal states. There is a tentative agreement granting these states the right of access to surplus fish stocks, but consensus approval of this concept awaits consent by the "broad-margin" states, which condition their approval upon winning full rights to the resources of their continental margins. [redacted]

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Soviet Perspectives

The desire of the USSR effectively to employ its high-seas navy, its expanded merchant fleet, and its distant-water fishing fleet goes a long way toward explaining its behavior at the Law of the Sea sessions. In recent sessions, the USSR has been a strong proponent of the traditional rights of navigation on the high seas. It has played an active role in support of conservative proposals and has tried to contain initiatives for change that it considered threats to its maritime interests. To this end, it joined the other major maritime powers--the US, UK, France, and Japan--in the Group of Five. [redacted]

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This has in many respects been an uncomfortable role for the Soviets. They have felt obliged to take a more visible role than in other North-South forums. When they have tried to accommodate the interests of the developing countries, and thereby shed their image as a defender of the status quo, they have stepped on the toes of their colleagues in the Group of Five. [redacted]

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The Soviets have pressed hard on a broad range of issues at the Conference and, in so doing, have antagonized several groups of nations. They are now close to the point where they must choose between a treaty that is not altogether satisfactory to them or no treaty at all. It will be a difficult choice for a state that harbors global maritime ambitions.

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Chad-France


Ambassador Bradford in Ndjamena believes the French will soon abandon their role as an "honest broker and policeman" in Chad, a move he believes may portend major changes in French policy elsewhere in Africa. The Ambassador interprets recent French actions--an unusually restrained military response to fighting in the capital and continued evacuation of French citizens despite lessening tensions--as signs of a policy switch. Other changes expected by the Ambassador include reductions in economic aid, direct military support, and political backing on such questions as the Libyan-Chad border dispute. [REDACTED]

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